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CENTRAL INTELLIGENCE AGENCY  
OFFICIAL ROUTING SLIP 25X1

| TO | NAME AND ADDRESS          | INITIALS | DATE       |
|----|---------------------------|----------|------------|
| 6  | Mr. E. R. Saunders - 1039 |          | 28 May 56  |
| 2  |                           |          | 30 June 56 |
| 3  |                           | 25X1     |            |
| 4  |                           |          |            |
| 5  |                           |          |            |
| 6  |                           |          |            |

|             |               |                |
|-------------|---------------|----------------|
| ACTION      | DIRECT REPLY  | PREPARE REPLY  |
| APPROVAL    | DISPATCH      | RECOMMENDATION |
| COMMENT     | FILE          | RETURN         |
| CONCURRENCE | X INFORMATION | SIGNATURE      |

Remarks:

Attached is memorandum from which report was made to you at the Staff Meeting on 24 May 1956 relative to pricing CIA inventories.

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A copy has been sent to

*I believe you are following through on this with Logistics* 25X1

*2 to 3 - Hold for attention re changes required under study*

FOLD HERE TO RETURN TO SENDER 25X1

FROM: NAME, ADDRESS AND PHONE NO. DATE

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131. 1246

*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Comptroller

DATE: 23 MAY 1956

FROM : Acting Chief, Technical Accounting Staff

SUBJECT: Pricing of CIA Inventories

1. As requested at the Staff meeting held in your office 17 May 1956, I am submitting the following comments relative to the pricing of Agency inventories. 25X1

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2. The pricing policy as set forth in [ ] Financial and Accounting Procedures for Property - Machine Methods and [ ] Financial Accounting Procedures for Property (Manual Method) may be briefly stated as follows: 25X1

Inventories will be carried at a fixed unit price established in accordance with the Agency's catalog pricing supplement. All acquisitions will be recorded at their actual cost and will be adjusted through a property cost adjustment account to the fixed unit price reflected in the pricing supplement. Items not appearing in the pricing supplement will be recorded at their initial cost which will then be considered the fixed unit price for these items. Prices will be averaged semi-annually, at which time the value of inventories will be adjusted and the new unit fixed prices will be established in the pricing supplement. All issues will be recorded at the fixed unit price of the item(s) as it appears in the pricing supplement.

3. Conformance to these policies should correctly reflect the values of inventories and the cost of property utilized by the Agency. Once the original inventory has been depleted, the cost of property reflected on the Agency's records should approximate the true costs. If unit prices are averaged at more frequent intervals, the costs will be more accurately reflected.

4. However it appears from information available in the Comptroller's Office that the Office of Logistics in repricing the inventories are using the following procedure with regard to commodity groups I, II, VI and VII:

a. The prices shown on the priced cards of these material groups are compared with the Department of Defense catalogs. If there is a difference, the card is changed to agree with the Department of Defense catalog.

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b. Ordnance items (arms and ammunition) are reviewed by an Ordnance Review Group. If they agree with the price established in "a" above, this then becomes the fixed price. If they disagree, the Group determines the new price.

5. Commodity groups III, IV and V are priced in accordance with the computed (averaged) price if available as first priority, the current status price, if available as second priority, and the current priced card as the third priority.

6. Attached, for your convenience (Tab A) are quotations from existing regulations setting forth the policy outlined in paragraph 2 of this memorandum.



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Attachment:

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*Bj. 92.12*

TAB A

QUOTATIONS FROM [REDACTED]  
FINANCIAL AND ACCOUNTING PROCEDURES  
FOR PROPERTY - MACHINE METHODS

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Chapter I

- Para. 4 - k. "The unit cost appearing on the respective subsidiary stock records will be a fixed price subject to adjustment every six months based on an average cost computed by an approved formula (see Chapter 11, Machine Accounting Procedures).
1. Acquisitions will be recorded in the property control accounts based on the extended cost of the items received as appearing on the individual acquisition documents.
  - m. Difference between cost per acquisition documents and the average cost per stock records for the respective stock items will be adjusted each month in the property control accounts with offsetting debit or credit to a property cost adjustment account.
  - n. Issues will be costed at the fixed (average) price appearing on the stock records.
  - o. Transportation will not be capitalized unless property purchased is invoiced f.o.b. destination or cost at site erected or installed.
  - p. Discounts earned, and under normal circumstances differences between acquisition cost per vendor's invoice and the cost as it appears on the acquisition document will be adjusted through a property cost adjustment account without affecting the property control accounts.
  - q. Donated equipment will be recorded in the accounts at the fixed (average) price as it appears on the stock records or at market cost (new) where average costs are not available . . . .
  - r. Property returned from projects will be recorded in financial and stock records at the established fixed (average) price with offsetting credit being made in the general ledger to a miscellaneous cost credit account."

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TAB A

## Chapter II - Machine Accounting Procedure

### Paragraph 23 - Computation of Fixed Average Price

"The average price (unit cost) appearing on the Stock Status Cards is a fixed price subject to adjustment approximately every six months based on an average cost computed as follows:

As of the date the fixed price is computed, the balance of inventory on hand as of the previous computation date will be extended at the then current fixed price. Each acquisition received during the current period will be extended at the unit cost appearing on the receiving report covering each receipt. The quantity on hand at the beginning of the period plus acquisitions during the period will be totaled, the related extended amounts will be added and totaled, which total will be divided by the quantity total referred to above, to arrive at the fixed price to be used for stock control purposes during the succeeding period. Stock Status Cards extended at old price and reproduced Stock Status Cards extended at new price will be summarized for monetary adjustment to financial general ledger accounts."

QUOTATIONS FROM [REDACTED]  
FINANCIAL ACCOUNTING PROCEDURES  
FOR PROPERTY (MANUAL METHOD)

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## Chapter III

### Paragraph 2b

"Unit price for items of property will be established in accordance with the Organization catalog supplements where applicable. In the absence of a unit price in the Organization price supplement for a given item the initial acquisition price will be utilized and established as a fixed price. For locally procured items and items not listed in the price supplements, a re-averaging of unit price should be scheduled on a six-month-cycle basis, in order to maintain the principle of a fixed price for financial and property control purposes. Estimated prices will be established for those items not indicated in the Organization catalog price supplements or for which price data is not available. Each line item on an acquisition (receiving report) issue or transfer document or an inventory adjustment report will carry the applicable unit (fixed) price as indicated on the stock record card and will be extended to show the total value of each line item."

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